

The Role of IT in Financial Investigations and Systems:

Corporate Fraud and Corruption

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Program Agenda

- 1 Corporate Fraud and Corruption – Definitions
- 2 Corporate Fraud and Corruption – Financial Investigations
- 3 Challenges with Financial Investigations
- 4 Role of IT in Financial Investigations
- 5 Financial Investigation Systems Architecture

“Despite the robust anti-corruption action being taken by global authorities, corporate fraud and corruption remain an increasingly pervasive worldwide threat. The perpetrators of fraud and corruption now target an ever-widening playing field due to technological advancements and the relentless march of globalisation. Companies must be on their guard, as ignoring potential threats could lead to major disruption to their business processes, an erosion of employee integrity and a stained corporate identity, not to mention fines and other penalties arising from illegal conduct.”

– Financier Worldwide Magazine: Special Report on Corporate Fraud and Corruption

Some Definitions

Fraud

- Wrongful or criminal deception intended to result in financial or personal gain

Corporate Fraud

- Activities undertaken by an individual or company in a dishonest or illegal manner, and are designed to give an advantage to the perpetrating individual or company

Corruption

- Abuse of entrusted power for personal gain
- Can be classified as grand, petty and political, depending on the amounts of money lost and the sector where it occurs

Some Corporate Fraud Scandals

“Madoff investment scandal – Ponzi Scheme”

“Lionel Messi: Barcelona star appeals over tax fraud verdict”

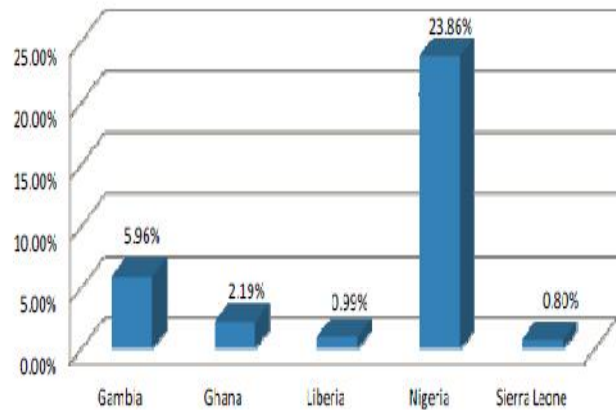
FIFA Corruption Scandal

Toshiba boss quits over £780m accounting scandal

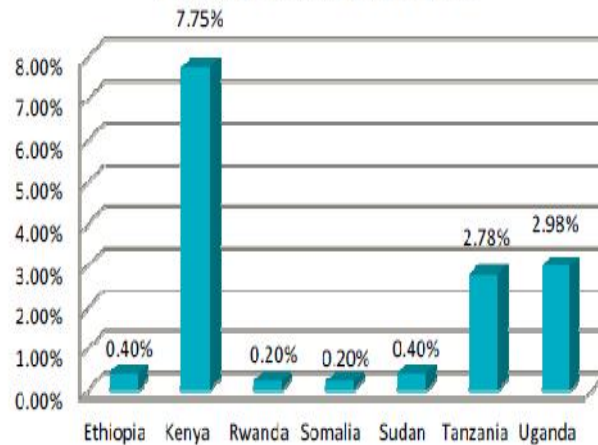
The Volkswagen Emissions Scandal

Corporate Fraud and Corruption in Africa

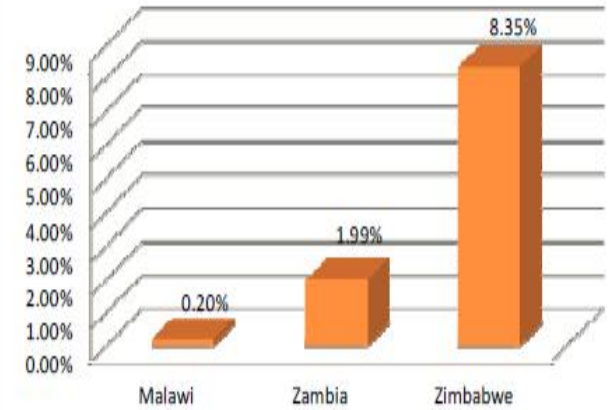
Western Africa: Fraud Cases



East Africa: Fraud Cases



Central Africa: Fraud Cases



South Africa has the highest incidence in Southern Africa, but this may be materially skewed by the relative size of the economy

Nigeria, Kenya, Zimbabwe and South Africa make up 74% of all fraud cases reported in Africa

While South Africa has the highest number of reported cases of fraud, the value of these cases is less than the value for Nigeria. The cost of fraud in Nigeria is close to \$1.1 bn more than South Africa

....KPMG Africa Fraud Barometer

Corporate Fraud and Corruption – Financial Investigation

- Corporate fraud can be difficult to prevent and to catch. By creating effective policies, a system of checks and balances and physical security, a company may limit the extent to which fraud can take place. It is considered a white collar crime.
- The major goal is to identify and document the movement of money during the course of criminal activity:
 - The link between the origins of the money, beneficiaries, when the money is received and where it is stored or deposited can provide information about and proof of criminal activity
- This flow of financial intelligence between regulators, supervisors, FIUs, law enforcement and other competent authorities (the value chain) should be free-flowing to and from all entities in accordance with existing domestic laws, policies and procedures and should be results-driven, not process driven.
- An established fluid system of sharing information and intelligence would make more effective use of financial data thus becoming more effective in combating corporate fraud and corruption.

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Some Challenges with Financial Investigation Systems

High Financial Crime Management Operational Cost

Increasing regulatory pressure for consolidated visibility and adherence

Need to gain real-time access to information across Financial Management Ecosystem

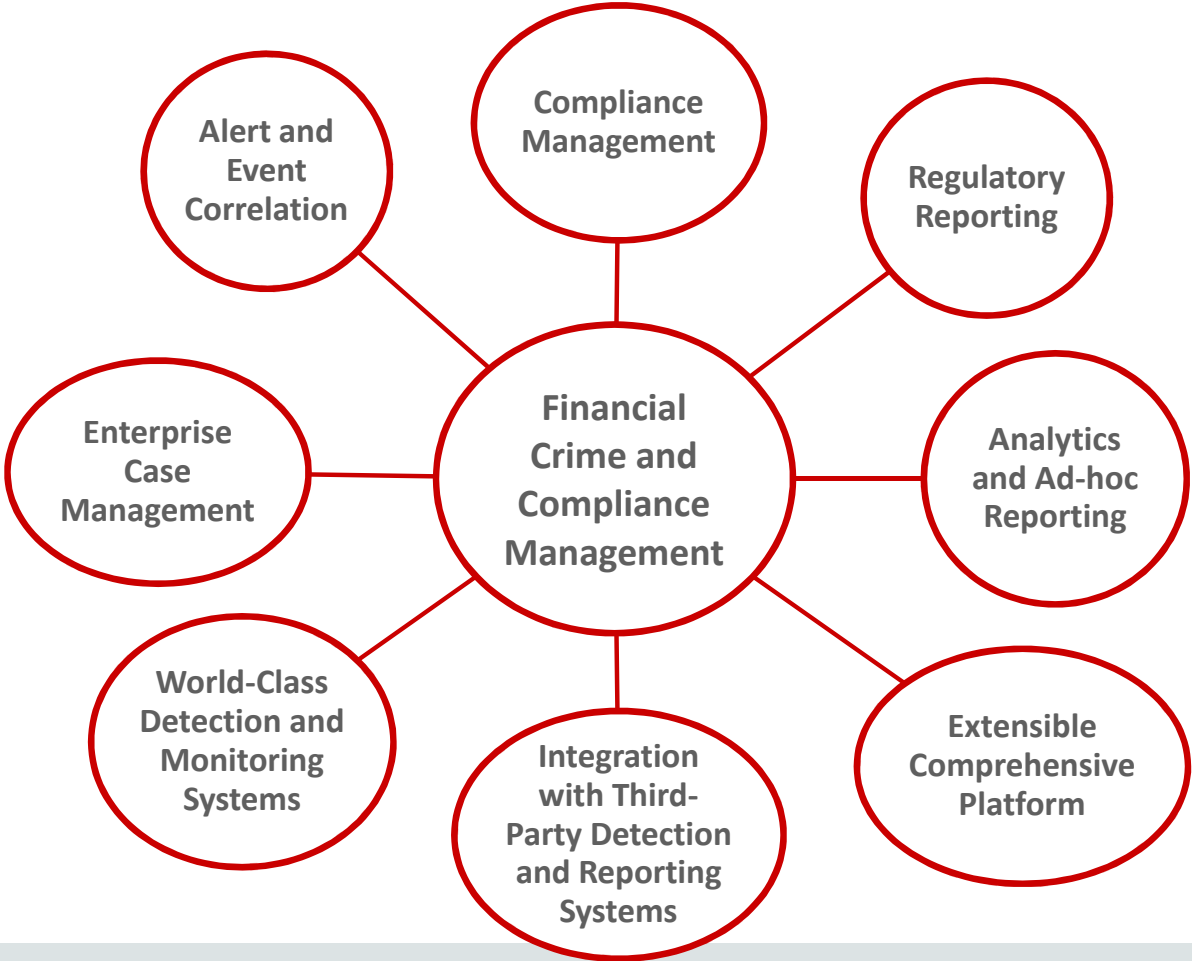
Multiple vendors and applications to handle all lines of financial crime with separate processes to consolidate output and track compliance plans

Ideal Financial Investigation Systems

- Manage financial crime investigations and regulatory compliance with a comprehensive and enterprise wide 'ecosystem'
- Easily exchange financial crime and compliance intelligence across new or existing systems to automatically gain valuable insight and perspective
- Actively assess risk and controls, "dig deeper" with ad-hoc analyses and comply with regulatory and internal reporting mandates within a single, enterprise-class system
- Efficiently detect, investigate and report suspected money laundering activity to comply with current and future regulations
- Provide regulators and key stakeholders a 360° view of financial activity and customer risk to transparently detect and investigate potential money laundering behavior
- Reduce implementation and compliance risk through quick deployment, sophisticated and predictable production management

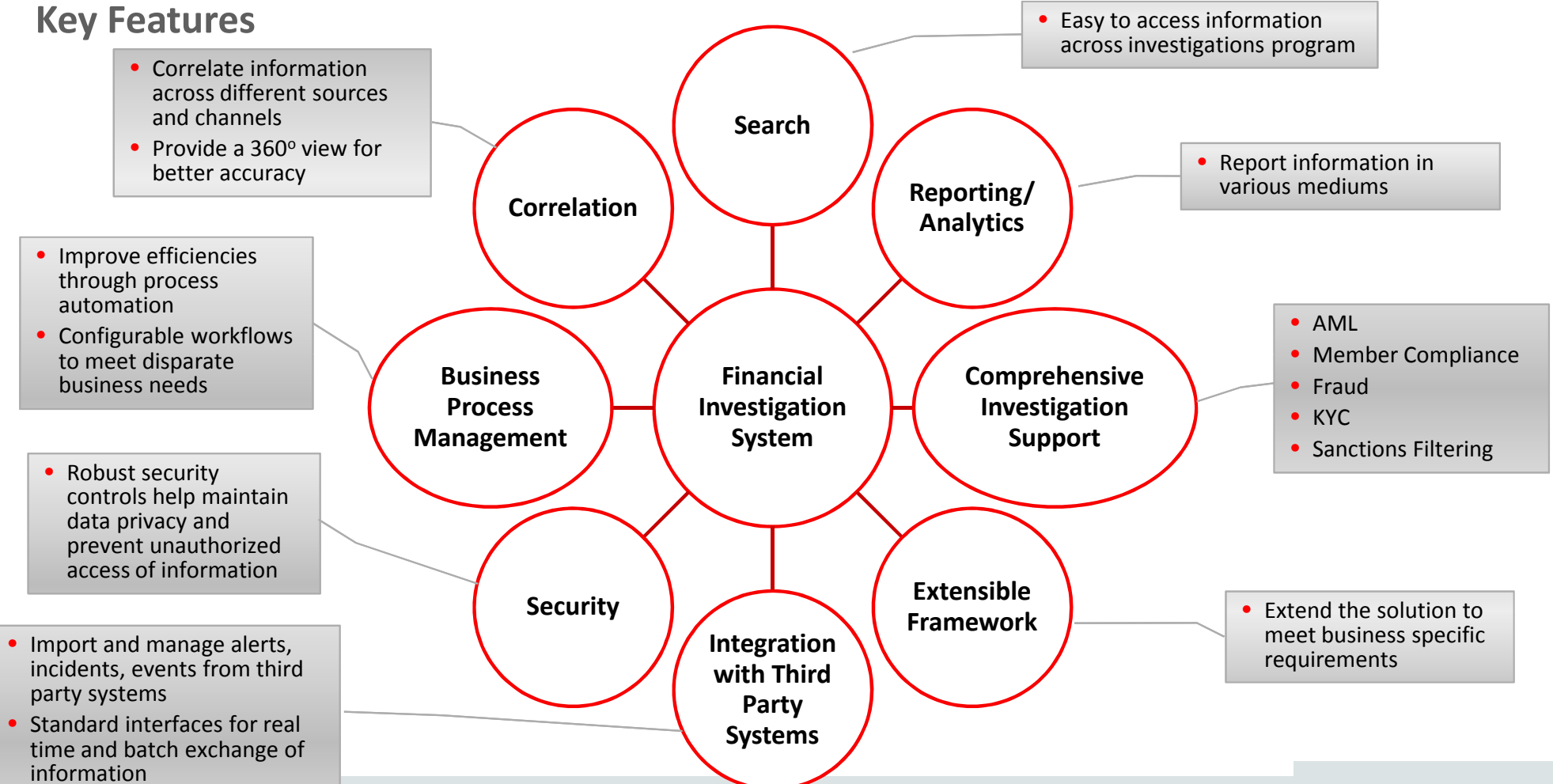
Financial Investigation System

Key Capabilities

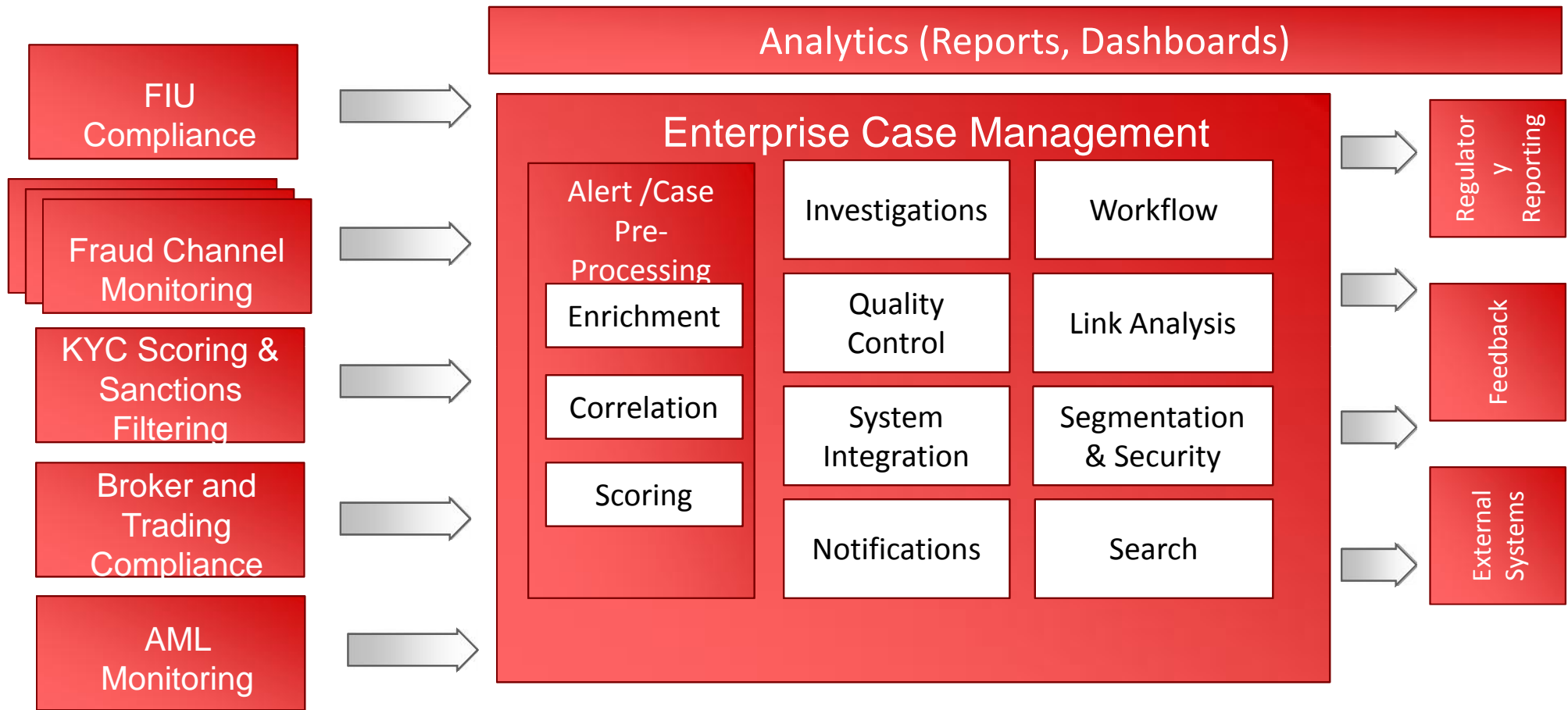


Financial Investigation System

Key Features



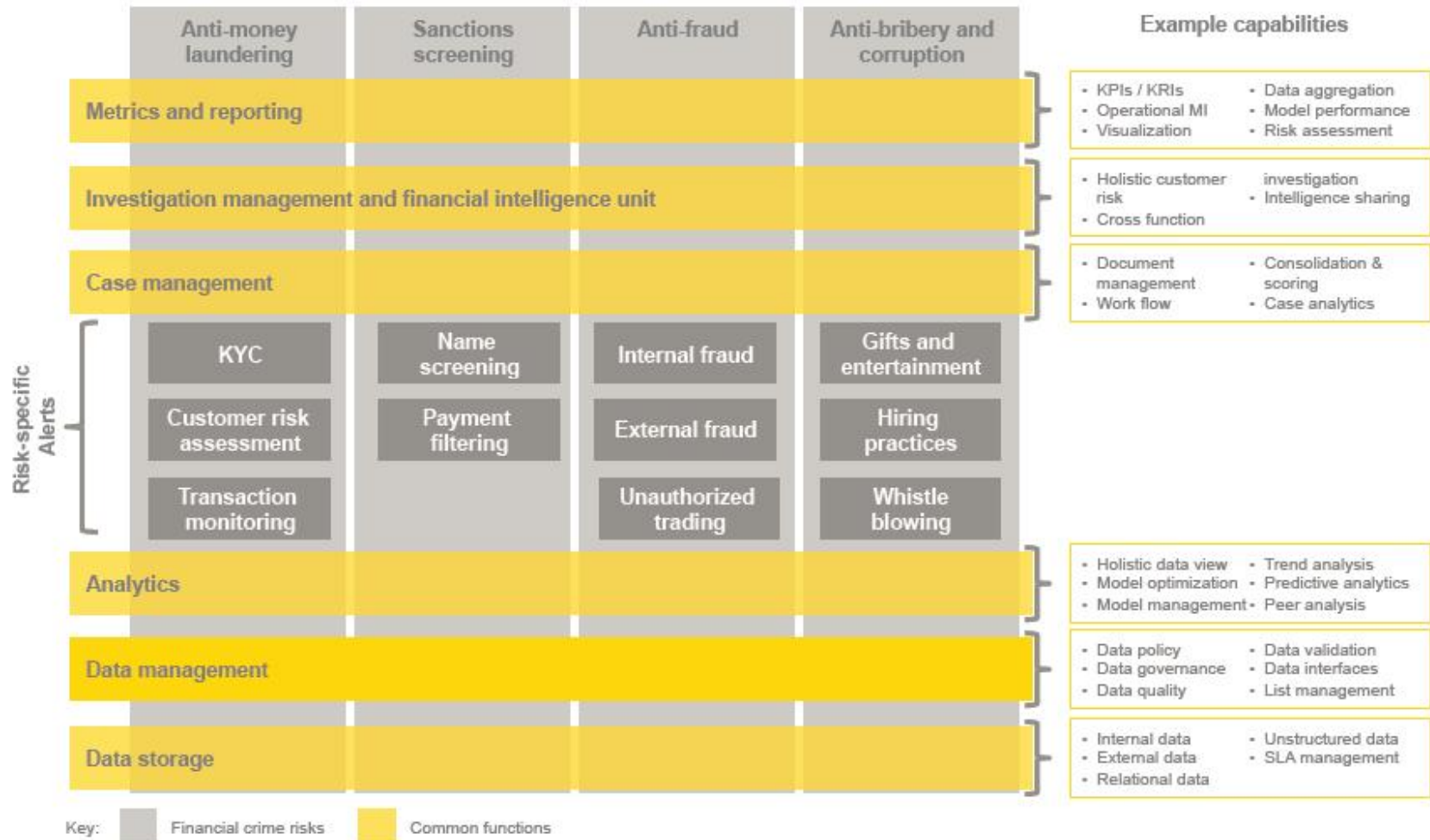
Financial Investigation System Architecture



Financial Investigations Systems Solutions

- Anti-money laundering (AML)
- Countering Financing of Terrorism
- Know-your-customer (KYC)
- Sanctions and watch-list monitoring
- Counter fraud (first and third party)
- Trade surveillance
- Cyber-security
- Tax Evasion

Integrated Financial Investigation System



Business Value of a Financial Investigation System

- Meet local and global regulatory requirements for sanctions screening, transaction monitoring coverage, and regulatory reporting
- Leverage common AML platform to integrate different AML functions
- Deploy an advanced library of preconfigured, out-of-box, industry-recognized AML scenarios across all lines of business to meet regulatory requirements
- Reduce false positives and implementation time and effort by using models (scenarios) that have been designed with precise parameters
- Identify potential perpetrators across all customer lifecycle stages with advanced risk derivation and risk scoring models

Conclusion

- As regulators continue to pressurize firms to devote greater resources to assessing and reporting on financial crime and conduct risk, there would be opening of newer channels for newer technologies to be continually implemented.
- Significant operational savings can be gained with centralized management of financial crime investigation:
 - The convergence of analytics, work flow and data management will increase transparency, increase agility and decrease duplication of effort when analyzing financial crime across business lines and international borders
 - An integrated approach to the management of financial crimes and compliance will help to better detect criminal attacks, corporate fraud and corruption and ultimately reduce management costs as a result of operational efficiency savings and tighter security

Integrated Cloud

Applications & Platform Services

ORACLE®